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HAROLD B. WILLEY

IN THE

Supreme Court of the United States

NO. 696

LEON F. URBAIN AND LOXIT SYSTEMS, INC.,
Petitioners,

VS.

KNAPP BROTHERS MANUFACTURING COMPANY, AL LEVINSON, CHARLES LEVINSON, AND ROBERT LEVINSON,
Respondents.

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR CERTIORARI

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COURT INDEX PRESS INC. — Law Printers — 809 Walnut St., Cincinnati, O.

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THE SIGNIFICANT AND CONTROLLING FACTS

While the statement of facts contained in the petition is accurate, obviously the Petitioner does not emphasize the particular circumstances which influenced the District Court to grant the restraining order and rendered its exercise of discretion completely proper.

At the time the motion for the restraining order was filed, the Ohio case had a definite and fixed setting, which it had had for several months, and the date of trial was only a little more than two months off. This Ohio case was *the first filed* and Plaintiffs had voluntarily elected the Ohio jurisdiction, even though both of them were, and are, resi-

dents of Illinois. The Ohio case had been through extensive pre-trial procedure, which included a motion for a more definite statement, a motion to strike, a request for admission of facts and genuineness of documents, some eighty interrogatories directed to all four of the defendants, interrogatories to the Plaintiffs, objections to interrogatories, and supplemental interrogatories. The effect of all of this was to narrow the issues to a point where the charge of infringement was limited to some fourteen claims, out of forty-two claims contained in the two patents, and to a point where each side was fully familiar with the others contentions and was ready for trial.

Additionally, the Ohio case was directed against the manufacturer, and under the holding in *Kessler* v. *Eldred,* 206 U. S. 285 was much more likely to be determinative of the entire controversy than the Illinois case, which was directed against only one of many sales agents of the corporate Ohio Defendant and the individual officers of this particular sales agent.

Finally, the Ohio District Court was, of course, strongly influenced by the unreported decision of the Court of Appeals for the Sixth Circuit in, *Snap-On-Drawer Company* v. *Hon. John H. Druffel, United States District Judge,* and by the denial by this court of the petition for certiorari in this same case. (See 341 U. S. 938). A copy of the opinion of the Court of Appeals for the Sixth Circuit in this case is included herein in the Appendix. In the present case, the majority opinion in the Court of Appeals considered the *Snap-On* case,

> "applicable in principle inasmuch as the granting of the injunction here rests upon the same reasoning applied there".

The only factual difference between this case and the *Snap-On* case, is that in this case the District Judge enjoined

the Plaintiffs from proceeding in another court, whereas, in the *Snap-On* case he enjoined the Plaintiff from proceeding in his own court.

From the facts recited, it must be apparent that the decision of the District Court was the only practical one which could have been reached under the circumstances. Actually, the Petitioner does not really question the fairness and the reasonableness of the decision. Rather, it rests its case on, (a) the contention that there is a fixed procedural rule applicable to jurisdictional controversies of this type, and (b) an attempted super-technical interpretation of Rules 52, 65c, and 65d of the Federal Rules of Civil Procedure and Petitioner's application of its interpretation of these rules to the facts of this case.

THE KEROTEST CASE HAS ESTABLISHED A RULE OF DISCRETION

At the time this court allowed the Petition for Certiorari in the case of *Kerotest Manufacturing Co.* v. *C-O-Two Fire Equipment Co.*, 342 U. S. 180, a somewhat confusing situation existed in the decisions of the various Courts of Appeal on this general subject. To the extent that there was an actual judicial conflict, this conflict concerned more the question of whether jurisdictional priority is a proper matter for the exercise of judicial discretion, than it concerned any exact determination of jurisdiction on any given state of facts. Otherwise stated, there were (a) cases approving or disapproving the *manner* of exercise of discretion by the District Court, but upholding the court's discretionary power and (b) cases such as *Triangle Conduit and Cable Co.* v. *National Electric Products Corporation,* 138 F. (2d) 46, which seem to ignore the rule of discretion in favor of the fixed rule theory.

In its opinion in the *Kerotest* case, this court announced positively that in the future the rule of discretion should control. It did so in the following language:

> "Wise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel rigid mechanical solution of such problems. The factors relevant to wise administration here are equitable in nature. Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts. The conclusion which we are asked to upset derives from an extended and careful study of the circumstances of this litigation. Such an estimate has led the Court of Appeals twice to conclude that all interests will be best served by prosecution of the single suit in Illinois. Even if we had more doubts than we do about the analysis made by the Court of Appeals, we would not feel justified in displacing its judgment with ours".

It is interesting to note that footnote 3 of the *Kerotest* case enumerates some five previous Court of Appeals decisions, none of which applies the rigid rule for which the Petitioner here contends. In only one of these cases was there a real identity of parties in both litigations, yet in four of them the second suit was either enjoined or dismissed.

Actually, the important facts of this case are almost identical with those of the *Kerotest* case. In the *Kerotest* case the first suit filed was by the patent owner against a distributor, to which the manufacturer was subsequently made a party. The second case was an action for a declaratory judgment by the manufacturer, alone, against the patent owner. Accordingly, both cases involved the principal parties in interest, and that is, in effect, the case here, because the respondent has indemnified the defendant in the Illinois case and has assumed the defense. (See the indemnity

bond set out in a footnote to the Court of Appeals decision). All other factors being equal, the date of filing is the critical factor here just as it was held to be in the *Kerotest* case.

THE DISTRICT COURT SUBSTANTIALLY COMPLIED WITH THE RULES OF CIVIL PROCEDURE

Petitioner contends vigorously that the failure by Respondents to post a bond rendered the restraining order invalid. This argument ignores the obvious intent of Rule 65 (c) and it also ignores the realities of the situation.

While the rule does provide for the giving of a bond upon the issuance of any restraining order, as pointed out in the Court of Appeals opinion the security is to be *in such sum as the court considers proper.* Obviously, this places the matter entirely within the discretion of the District Court and there would be strict compliance with the rule if the court required a bond in the most insignificant amount imaginable.

The rule was intended to apply, primarily, to situations such as an injunction against operating a business, or infringing a patent or trade mark, where the amount of potential damages might be substantial and could be measured at least approximately. It could not have been intended to apply strictly to a restraining order directed against the trial of one companion litigation before another. In such a case, even assuming some theoretical loss resulting from the insolvency of a particular defendant at a particular time, there could be no possible legal causation between such a loss and a happenstance trial date. Other factors enter the picture including the length of time which the court takes to arrive at a decision and the likelihood of appeals.

If the rule were intended to be absolutely mandatory, as applied to this type of case, there is no possible way in which a court could determine, or even approximate, the amount of the bond, and no way in which a surety company could appraise its contingent liability. On the particular facts of this case, neither the District Court nor the Court of Appeals could visualize damage of any sort resulting to the Petitioners because their suit against a principal manufacturer was given priority to their suit against the manufacturer's distributor.

Similarly, there was a substantial compliance with the provisions of Rule 52. In the first place, there was here no real dispute as to the facts. These are set out in reasonable detail in the motion. (R. P. 22). They are not in any way disputed by the Prangley affidavit which the Court of Appeals characterized as being

> "of no guidance toward correct determination of the decisive issue".

The restraining order, as entered, referred to the motion and found that it was well taken. In other words, the order amounted to a finding of the undisputed facts even though it did not expressly set them out.

There is substantial authority that a failure to find facts under Rule 52 does not amount to reversible error, particularly where the facts are not in dispute. *Ginsberg* v. *Royal Ins. Co.* 179 F. (2d) 152 (C. A. 5), *Douds* v. *Local 1250 Retail Wholesale Dept. Store Union*, 170 F. (2d) 695, 699 (C.A. 2); *Fontes* v. *Porter*, 15 F. (2d) 956 (C.A. 9); *Burman* v. *Lenkin Const. Co.* 149 F. (2d) 827, 828 (D.C. App.); *Hurwitz* v. *Hurwitz*, 136 F. (2d) 796, 799 (D.C. App.).

As noted in the Court of Appeals opinion, Petitioner has practically conceded that there is no factual issue by

urging the Court of Appeals that a remand to the District Court was unnecessary.

NEITHER CONFLICT OF DECISION NOR GREAT PUBLIC INTEREST REQUIRES THE INTERVENTION OF THIS COURT

In view of the *Kerotest* case, there is no conflict of decision between this case and the earlier cases cited by the Petitioner, particularly *Kryptok Co.*, v. *Stead Lens Co.*, 190 F. 767, and *Triangle Conduit & Cable Company* v. *National Electric Products Co.*, 138 F. (2d) 46. The only matter for judicial decision here is whether or not the determination of jurisdiction in companion cases is a matter calling for the exercise of discretion by the District Court. The *Kerotest* case held that it was, and the Court of Appeals decision in this case is in exact accordance with that decision. To the extent that the decision in the *Triangle* case attempts to spell out a fixed rule of procedure, it has by implication been repudiated by the *Kerotest* case, although in view of all of the circumstances express repudiation was probably unnecessary.

Additionally, there is one important element in this case which distinguishes it factually from the *Kryptok* and *Triangle* cases even if the latter could be said to represent the law in their respective circuits in view of *Kerotest*. That element is the bond which the Respondents gave in the Illinois litigation, and their agreement to defend the Illinois case and be responsible for its outcome. This act made the Respondents bound by the decision in the Illinois case to all intents and purposes as if they were actual parties. In other words, the factual situation here is much more like that in the earlier *Triangle* case reported in 125 F. (2d) 1008 than it is like the later decision which involved the flat issue of a suit against the manufacturer alone in one jurisdiction and a suit against a customer alone in another.

Kryptok v. *Stead Lens Co.* is an early decision which was rendered under the old deposition practice in patent cases. The trial of the suit against the manufacturer, which was the first filed, had actually commenced and the Plaintiff had completed its testimony and closed its case. An extensive ensuing delay was apparently attributable to the Defendant and in the opinion of the court constituted an important factor in rendering reasonable Plaintiff's subsequent suits against customers. The decision fully recognizes the rule of discretion and the opinion expressly states (769) :

> "The grant of a preliminary injunction rests in the discretion of the trial court, not in its arbitrary, whimsical will, but in its sound judicial discretion, informed and guided by the established principles, rules and practice of equity jurisprudence; and where the court has not departed from them its injunctional orders may not be reversed without clear proof of an abuse of its discretion.

Summarizing, there is no conflict here, first because the giving of the bond rendered the facts quite different, and second, because if there ever could be said to be a conflict it was settled by the *Kerotest* case, which the decision in this case follows. In view of *Kerotest*, the second *Triangle* case and the *Kryptok* case can no longer be considered to express accurately the abstract law governing jurisdictional controversies.

There is no matter of public interest in the present case. It is purely a private controversy, and if the Petitioner had not so persistently contested the jurisdictional issue it would long since have been tried and adjudicated. The law applicable generally to jurisdictional controversies is well and clearly stated in the *Kerotest* decision. No further clarification is required by the facts of this case which closely approximate those of the *Kerotest* case.

CONCLUSION

Simply stated, this is a situation which called for the exercise of discretion by the District Court. The District Court made a just and reasonable determination which the Court of Appeals approved after giving the matter very close consideration. The Rules interpretation issues are of no substance and were correctly decided by the Court of Appeals. The petition should be dismissed.

Respectfully submitted,

TRUMAN A. HERRON,
Counsel for Respondents.

APPENDIX

IN THE

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Respondents.

DECISION OF THE COURT OF APPEALS FOR THE SIXTH CIRCUIT IN SNAP-ON DRAWER COMPANY v. HON. JOHN H. DRUFFEL, U. S. DISTRICT JUDGE. (Cert. Den. 341 U.S. 938)

ON PETITION FOR MANDAMUS
(Filed Feb. 1, 1951)

Before Hicks, Chief Judge; Simons and Allen, Circuit Judges.

A petition having been filed for writ of mandamus to be directed to the respondent to vacate an order staying proceedings pending in the district court of the respondent wherein the petitioner is the plaintiff and the Snap-On Tool Company is the defendant, which petition was supported by an exhaustive brief to which the court was unable to give adequate consideration without reply from the re-

spondent, the court, on October 13, 1950, issued an order to show cause why the petition for mandamus should not issue.

The court is now fully advised by the respondent as to reasons why the petition for mandamus should be denied, and after giving full consideration to the briefs of both the petitioner and the district judge, we conclude:

1. That the stay of proceedings in the court below was entered in a cause wherein the present petitioner sought a declaratory judgment; that a proceeding pending in the Northern District of Ohio involves similar issues and while the petitioner is not a formal party thereto, it is in privity with the defendants therein; that under applicable law the granting of a declaratory judgment where a cause is pending in another court and where some, if not all, of the issues may be decided, in (is) within the sound discretion of the court, and it therefore follows that a stay of proceedings to await the determination of another court is equally within the sound discretion of the court.

2. That the order denying the petitioner's motion for an interlocutory injunction is now pending on appeal to this court, and decision thereon will require a determination of some of the issues involved in the suit below.

3. That mandamus may not be substituted for appeal under the rationalization of the Supreme Court in *Roche, United States District Judge, et al* v. *Evaporated Milk Association, et al,* 319 U. S. 21, 25.

4. That the relief here sought is precluded by Rule 81 (b) of the Rules of Civil Procedure, in view of the appeal heretofore referred to.

WHEREFORE, The petition for mandamus is denied. Enter

/S/ CHARLES C. SIMONS, J.